

**Economic Impact Statement**

LSA Document #10-392

**IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses**

IC 4-22-2.1-5(a) provides that an agency that intends to adopt a rule under IC 4-22-2 that will impose requirements or costs on small businesses must prepare a statement that describes the annual economic impact of the rule on small businesses after the rule is fully implemented as described in (b). That statement must be submitted to the Indiana Economic Development Corporation (IEDC). The IEDC is required to review the rule and submit written comments to the agency not later than seven days before the public hearing.

The proposed rule adds 105 IAC 15 to permit the Indiana Department of Transportation ("INDOT" or the "department") to collect tolls on the Wabash Memorial Toll Bridge in Posey County, Indiana (the "Bridge"), and sets the toll schedule and procedures regarding the administration and collection of tolls. By order of the Governor and pursuant to IC 8-16-1, ownership of the Bridge shall be transferred from the Indiana Finance Authority to the department upon promulgation of this rule. Tolls on the Bridge are currently collected by the Indiana Finance Authority with the assistance of the department, and toll revenue is transferred to the department to cover costs of maintenance and operation of the bridge. The proposed rule is substantially similar to 135 IAC 3-1-1, and the toll schedule for individual vehicles remains the same in the proposed rule. Because the proposed rule substantially adopts the toll schedule already in place for the Bridge, the proposed rule is not anticipated to have any significant economic impact on small businesses.

**Estimated Number of Small Businesses Affected:**

During FY2009, a total of 1,252,972 vehicles used the Bridge. The number of vehicle trips recorded for the Bridge has remained fairly static over the last several years. Traffic on the Bridge tends to be mostly local and commuter traffic, with the same vehicles making using the Bridge multiple times per day. INDOT does not currently have a way to estimate how many trips over the Bridge are made by the same vehicles each day, nor to be certain how many vehicle trips are associated with small businesses.

In order to estimate the number of small businesses affected by the rule, INDOT toll collectors gathered data during a two week period from July 12, 2010, through July 26, 2010. INDOT toll collectors noted the names and vehicle types of any vehicle using the bridge that had any business name or logo visible. During that time, INDOT counted 87 separate business names on vehicles displaying a business name or logo. Given past traffic counts and observation on the Bridge, INDOT assumes that the majority of business vehicles using the Bridge are associated with local businesses and would not expect to see a large number of additional or different businesses' vehicles using the Bridge should the data gathering exercise be repeated in the future. It is unknown how many of the businesses observed would meet the definition of small businesses under IC 4-22-2.1-4. For purposes of estimating the effects of the rule on small businesses, and to ensure that any potential effects are not underestimated, INDOT assumes that all businesses observed qualify as small businesses under IC 4-22-2.1-4.

Using the observed number of businesses as a baseline, allowing for an equal number of unmarked vehicles that may have been using the bridge while traveling for business purposes, and making an additional allowance of up to 20 percent for occasional use of the Bridge by nonlocal business vehicles, INDOT estimates that approximately 180 to 220 businesses could be affected by the rule. (INDOT has built in an additional allowance of up to 20 percent of business vehicles affected in order to account for the maximum number of additional vehicles INDOT would expect to see from businesses who do not use the bridge regularly (multiple times per day or week). These projections are based on observation of traffic on the Bridge. The vast majority of traffic on the Bridge is local traffic.)

**Estimated Administrative Costs Imposed on Small Businesses:**

The department estimates that the proposed rule will impose no administrative costs to small businesses as defined in IC 4-22-2.1-4 as a result of compliance with the proposed rule. The only cost of compliance with the proposed rule that is applicable to individuals and businesses using the Bridge is the cost of paying the toll.

**Estimated Total Annual Economic Impact on Small Businesses:**

The maximum total annual economic impact on small businesses While INDOT will remove the discounted toll rate currently available through purchase of commutation ticket books, INDOT is otherwise adopting the toll schedule currently in effect (see 135 IAC 3-2-2). Any small business users who had purchased commutation books in the past will have to pay the full toll price of fifty cents (\$.50) per trip rather than the discounted toll rate of forty cents (\$.40) per trip. In FY 2009, INDOT sold 36,000 commutation books. Each book contained 10 tickets, each good for one trip over the Bridge and each costing forty cents (\$.40). Assuming that Bridge use (the number of trips over the Bridge) remains constant in future years, the total impact to all users (including small businesses) from cessation of the sale of commutation books is anticipated to be only \$36,000 per year. As not all users of the

Bridge who may have purchased commutation books are small businesses, the impact of the removal of the discount to small businesses will be less than \$36,000 per year.

**Justification of Requirements or Costs:**

The only additional requirement or cost that would be imposed on a small business under this rule is through the removal of the discounted toll rate offered under [135 IAC 3-2-2](#) with the sale of the commutation books. The removal of the discount will result in former purchasers of the commutation books paying the normal toll rate of fifty cents (\$.50) per trip, an additional 10 cents (\$.10) per trip over the discounted rate. The total impact to all users (including small businesses) from cessation of the sale of commutation books is anticipated to be only \$36,000 per year. Not all users of the Bridge who may have purchased commutation books are small businesses; therefore, the impact of the removal of the discount to small businesses will be less than \$36,000 per year. As the toll rate has not increased since 1987 and is not increasing under this rule, INDOT believes the modest cost imposed as a result of elimination of the discounted commutation books is justified.

This rule will enable INDOT to use the proceeds collected from tolling (after subtraction of costs of maintenance and operation of the Bridge) to fund the replacement of the Bridge, which will be required in approximately 25 years.

INDOT relied on the following data sources in reaching the conclusion that any requirements or costs imposed on small businesses under the proposed rule are justified:

- Historical toll collection data from FY 2009.
- Listing of business vehicles using the Bridge (during a two week period from July 12, 2010, through July 26, 2010).
- INDOT engineering analysis and inspection reports indicating that the Bridge will reach the end of its useful life by the year 2035, necessitating replacement of the Bridge.

INDOT also relied on studies of the costs and benefits of electronic tolling programs implemented throughout the country. A research report released in June 2008 by the Kentucky Transportation Center in cooperation with the Federal Highway Administration and the Kentucky Transportation Cabinet entitled "Technology Scan for Electronic Toll Collection" was particularly instructive. This report is available online at:

[http://www.ktc.uky.edu/Reports/KTC\\_08\\_15\\_SPR\\_359\\_08\\_1F.pdf](http://www.ktc.uky.edu/Reports/KTC_08_15_SPR_359_08_1F.pdf)

Such studies have concluded Electronic Tolling Collection (ETC) has both economic and environmental benefits over manual toll collection. Benefits include reduction in transaction and waiting times, faster commutes, reduction in fuel consumption, easing of traffic congestion, reduction in air pollution, reduction in operating costs, and improved identification of toll evaders. Implementation of ETC provides reductions in transaction and waiting times in toll plazas. According to the U.S. Department of Transportation (USDOT), ETC increases toll lane capacity by 250 percent. Research found that a FasTrak lane in California can handle three times as many vehicles per hour as a manual collection lane. In Florida, a study conducted by the Transportation Research Board estimated that an E-Pass lane increases conventional plaza lane capacity by 50 to 160 percent. E-Z pass lanes in New York can accommodate 1,000 vehicles per hour, a dramatic increase over capacity of manual lanes (450 vehicles per hour).

With ETC, drivers in Orange County, California save more than 6 million hours per year because of reduced congestion. E-Z Pass in New Jersey was estimated to have saved approximately 1.3 million hours per year for users. In a study of motorists on the New Jersey Turnpike, fuel savings were estimated at 1.2 million gallons annually after ETC was implemented. According to USDOT, ETC helped reduce fuel consumption by 6-12 percent.

ETC has a positive impact on the environment through the reduction in air pollution. It reduces vehicle emissions resulting from idling, acceleration, and deceleration at toll plazas. In Central Florida, carbon monoxide emissions were reduced 7.29 percent. The FHWA noted decreases in emissions per mile where ETC was implemented.

The cost per transaction for ETC tends to be substantially less than the corresponding costs for manual collection. The Pennsylvania Turnpike Authority estimated the cost of operating a full ETC can be as little as one-quarter to one-fifth the costs of conventional cash toll interchange due to the fact that manual collection requires a certain number of employees for collection of tolls. A study of FasTrak in the Bay Area reported a 35 percent reduction in number of necessary toll operators. In Florida, the Orlando-Orange County Expressway Authority (OOCEA) disclosed that before EPass was installed the cost of toll collection was \$0.23 for each dollar collected. After EPass installation, the cost of toll collection dropped to only \$0.10 per dollar collected.

**Regulatory Flexibility Analysis:**

The department does not propose an alternative regulatory method since the proposed rule will have minimal impact on small businesses. No further consolidation or simplification is possible that would achieve the purpose of this rule.

